

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**CHINA HEALTH GROUP INC.**

(中國醫療集團有限公司)

(Carrying on business in Hong Kong as “萬全醫療集團”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08225)

**Supplementary Announcement to  
the Annual Report for the Year ended 31 December 2021**

Reference is made to China Health Group Limited (the “Company”) dated 31 March 2022 in relation to the annual report for the year ended 31 December 2021. Unless otherwise stated, capitalised terms used by the Company shall have the same meanings as those defined in the Announcement. The Company is hereby merely providing further information in relation to GEM Rule 18.47 requiring issuers to provide more detailed or additional information.

**Details of the modifications and their actual or potential impact on the issuers’ financial position**

The company has signed service agreements with four major customers, Company A, Company B, Company C, and Company D, stipulating that the company will provide listing services. Post-clinical big data research services and get corresponding remuneration. For the financial year ended 31 December 2021 and until the release of the audited annual results of the Group for the year ended 31 December 2021 (“2021 Annual Results”) date period, the company’s trade receivables include 11.5 million yuan from 2019 to 2021 from Company A with an age of 180 days, Company B 30 million yuan with an age of 180 days, Company C 1.5 million yuan, aged 180 days, Company D 1 million yuan, aged 180 days. The above trade receivables totaled RMB 44,000,000.

Regarding the above accounts receivable, during the 2022 audit period, the auditors have obtained the following audit evidence:

- (i) the service agreement signed with Company A;
- (ii) the service agreement signed with Company B;
- (iii) the service agreement signed with Company C;
- (iv) Signing a service agreement with Company D;
- (v) The company's post-market clinical big data research service results;
- (vi) invoices;
- (vii) accounting vouchers;
- (viii) Receipt;
- (ix)Accounts receivable repayment commitment letter from Company A;
- (x)Project progress confirmation letter from Company D; and
- (xi) Project progress confirmation letter from Company B.

Regarding the above accounts receivable, during the 2022 audit period, the auditor has carried out the following audit procedures:

- (i) assessing the Group's procedures for granting credit limits and credit terms to customers;
- (ii) assessing the Group's relationship and transaction history with clients;
- (iii) assessing the Group's impairment assessment;
- (iv) assessing the age of the debt;
- (v) assess the creditworthiness of customers;
- (vi) checking the customer's subsequent settlement;
- (vii) assessing the Group's credit risk disclosures in the consolidated financial statements;
- (viii) sending a letter of inquiry to the customer; and
- (ix) conducting interviews with clients.

The auditors require the client's detailed management statements and proof of assets to support the collectability and client repayment ability of the above trade and bills receivables for the year ended 31 December 2021. The management has also communicated with the client many times, hoping that the client will assist in providing management statements and asset proof evidence, but the client stated that it is a non-listed company and has no obligation to provide and disclose management statements and asset proof evidence, and the management statements and asset proof evidence belong to client's business secrets, do not agree to provide. In addition, the management has not taken legal action including but not limited to the customer's balance. Based on the above uncertainties, the auditor is of the opinion that sufficient and appropriate audit evidence cannot be obtained to satisfy itself of the trade receivables and there is a recoverability of approximately RMB44,000,000 in the notes, so a qualified opinion is issued.

The management has communicated with auditors, consulted law firms and industry

expert consultants for many times, and comprehensively assessed that the qualified audit opinion will not have actual or potential adverse impact on the financial position of the company, nor will it have any obstacle on the normal operation of the company.

**Management's position and basis on major judgmental areas (such as basis for impairment or valuation of assets), and how the management's view is different from that of the auditors**

The circumstances leading to the qualified audit only affect the year-end balance of contract assets at 31 December 2021. Management does not anticipate any further impact from the matters relating to the audit qualification in future financial years. Based on the above, the management believes that under the epidemic environment, most medical institutions suspend their clinical research business and focus on fighting the epidemic, and the management cannot assess the force majeure event of the epidemic, so as to accurately estimate the collection. In addition, the cash flow of customers is tight, which leads to a longer time for payment. This type of reservation is not caused by differences in accounting standards, taxation, or accounting confusion, and the opinions given by relevant experts also indicate that this type of reservation will not have a negative impact. The management has been actively communicating with customers, and has recovered part of the accounts, fulfilling its duty of diligence. The management believes that through communication and negotiation, negotiating with customers to formulate a payment collection plan, and taking legal action, the accounts receivable can be fully recovered and will be fully recovered within the Group's year ended 31 December 2022 removed from the consolidated financial statements. The auditor upholds a more prudent attitude and believes that sufficient and appropriate audit evidence cannot be obtained to confirm the certainty of the recovery of the above-mentioned accounts receivable according to the Hong Kong Accounting Standards, and therefore issued a qualified audit report. The management understands and respects the auditor's professional philosophy and spirit.

**Audit committee's view towards the modifications, and whether the audit committee reviewed and agreed with the management's position concerning major judgmental areas**

The Audit Committee has reviewed the audit qualification and management's position and basis on major judgmental areas. The Audit Committee agrees with the management's opinion, and the auditor, from a prudent point of view, reminded the Company that there is a risk that the accounts receivable cannot be fully recovered. The auditor also stated that if the company subsequently recovered the accounts, the reservations would be automatically cleared. The Audit Committee believes that the qualified audit opinion will not have any adverse effect on the

normal operation of the Company, and considers that the Company will be able to transfer it to the consolidated financial statements of the Company for the year ended 31 December 2022.

### **The company's payment plan**

The company will pay close attention to the customer's business status and willingness to pay back, and maintain close communication and contact. It is expected to sign a related payment agreement with the customer before June this year, specifying the time and amount of the payment, and agreeing that if the customer cannot pay according to the payment plan, he need to bear the corresponding liabilities for breach of contract, including but not limited to interest, liquidated damages, attorney fees, litigation fees, etc.If the company has not recovered the accounts before October of this year, the company has the right to directly take legal measures to collect collections, and if necessary, apply to the court for property preservation.The Company believes that with these strong measures, the full amount will be recovered by December 31, 2022.Taking into account the Company's arrangement and action measures in the above payment collection plan, the Company expects to be able to remove the qualified audit opinion in the Company's consolidated financial statements for the year ended 31 December 2022.

Shareholders and potential investors should exercise caution when trading in the Company's shares and, if in doubt, seek independent advice from professionals or financial advisors.

By order of the Board  
**China Health Group Inc.**  
**Xia GUO**  
*Chairman*

Hong Kong, April 22, 2022

*As at the date hereof, the Board comprises two executive directors, being Mr. GUO Xia and Dr. Maria Xue Mei SONG; one non-executive director, being Mr. Michael SU; and three independent non-executive directors, being Mr. Rui QIU, Dr. Bin Hui NI and Mr. Ling ZHEN.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at [www.chgi.net](http://www.chgi.net).*